USDA United States Department Of Agriculture
Agricultural Marketing Service
Dairy Programs

FEDERAL MILK ORDER No. 1
Northeast Marketing Area
89 South Street, Suite 301, Boston, MA 02111-2671

Mailing Address:
P.O. Box 51478
Boston, MA 02205-1478
Phone: 617-737-7199 --- Fax: 617-737-8002
E-mail: NortheastOrder@fedmilk1.com
Website: http: www.fmmone.com

Albany:
302A Washington Avenue Ext.
Albany, NY 12203-7303
Tel.: (518) 452-4410
Fax: (518) 464-6468

Alexandria:
P.O. Box 25828
Alexandria, VA 22313-5828
Tel.: (703) 549-7000
Fax: (703) 549-7003

July 16, 2019

TO: Pool Handlers on the Northeast Order

FROM: Shawn Boockoff, Acting Market Administrator

SUBJECT: Request to Reduce Fall-Month Shipping Percentages – **Approved 10% for 2019 and 2020**

On March 26, 2019, pool handler, Queensboro Farm Products, Inc. (Queensboro), an operator of a supply plant under the provisions of the Northeast Marketing Area (Northeast Order), submitted a request that the shipping percentage specified in Section 1001.7 (c) (2) for the months of September, October, and November be lowered from 20 percent to 10 percent for pool supply plants regulated under the Northeast Order until further notice.

The shipping percentage during September, October, and November of 2018 was adjusted to 10 percent in response to a similar request that year.

Section 1001.7 (g) of the Northeast Order states that the shipping percentages under the above provision may be increased or decreased by the Market Administrator if, after conducting an investigation and soliciting comments, the market administrator determines that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments.

Petition

In their 2019 petition, Queensboro cited declining Class I sales, a decline in the number of Class I customers seeking to purchase milk for Class I usage, and a comment that they, as a long-standing participant of the Northeast dairy industry, were unaware of any instances where Class I needs have not been covered. Queensboro's petition states that as pool distributing plants in the region have closed, many of the remaining bottling plants have established full supply agreements with cooperatives. The impact of such arrangements, according to Queensboro, is fewer Class I customers willing to take their milk and an increased cost of moving milk. In the past several years the petition states that Queensboro has had to seek out Class I customers in order to reach the 20 percent shipping requirement, with only one Class I customer calling upon them for milk to which they stated they immediately complied.

The petitioner noted that they have a unique relationship with a large cooperative operating in the Northeast Order area. They report that they separate and balance product (for this cooperative) when they are long in supply and help furnish milk supplies when they are short.

In their petition, Queensboro states that the provision of the Order that allows for handlers, who operate two or more supply plants, to form a "system of plants" and thereby attain the applicable shipping percentage requirements jointly in the same manner as a single plant puts stand alone supply plants at a disadvantage. The petitioner noted that being an independent small business, and a single plant operation, they do not have that luxury. As one of two independent supply plants remaining on the Order, Queensboro asserts that this seems to discourage entrepreneurship and penalize small businesses. The petition notes that to fulfill the current 20 percent shipping requirement, Queensboro would have to make uneconomical and unnecessary movements of milk resulting in higher hauling costs to their producers. The petition includes a statement asserting that a reduction to a 10 percent shipping percentage would have an insignificant effect on individual producer's milk pay prices.

Summarized Handler Comments

Cayuga Marketing LLC (Cayuga Marketing), a cooperative handler under Section 1000.9(c) of the Northeast Order, submitted comments in support of the reduction from 20 to 10 percent, for the months of September, October, and November, until further notice. Cayuga Marketing underscored their support of the reduction by presenting data that compared relatively stable Class I utilization against producer milk available. They state the results show that producer milk is more than sufficient to meet Class I demand given Class I utilization has fallen precipitously since 2010. Cayuga Marketing claims it would be forced into maintaining uneconomic milk sales in an effort to meet a 20 percent minimum requirement.

Dairy Farmers of America - Northeast Area (DFA-NA), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of multiple pool supply plants, submitted comments in support of a reduction from 20 to 10 percent for the months of September, October, and November, but does not support the change to be "until further notice." DFA-NA did not support an "until further notice" period because they feel market conditions that exist today may not exist beyond 2020. Thus, they feel the decision period for a September – November shipping percentage of 10 percent should be limited to one to two years. DFA-NA states that the 20 percent level could result in uneconomic shipments of milk supplies solely to meet the Order provision and not in response to actual demand.

Lanco Dairy Farms Co-op (Lanco), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of a pool supply plant, submitted comments in support of a reduction to 10 percent for the months of September, October, and November, stating that the continued reduction in Class I consumption and consolidation of pool distributing plants creates challenges for Federal Order 1 handlers.

Mohawk Valley Cooperative, Inc. (Mohawk Valley) submitted comments supporting a 10 percent shipping percentage for the months of September, October, and November, while suggesting an elimination of the shipping requirement entirely. Mohawk Valley states Class I sales have been on a steady decline and supplies of fluid milk exceed the demand for all classes compared to a time when these regulations were put in place. The cooperative argues the regulation may be causing uneconomic shipments.

National Farmers Organization (NFO), a cooperative handler under Section 1000.9(c) of the Northeast Order, submitted comments supporting a reduction for the months of September, October, and November, 2019, to the 10 percent level. Claiming the two biggest challenges facing the dairy industry today are low milk prices and high shipping costs, NFO argues the proposed reduction in shipping percentages would help reduce the number of unnecessary and inefficient shipments of milk made solely for the purpose of qualifying on the Federal Order.

Upstate Niagara Cooperative, Inc. (Upstate Niagara), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of pool distributing and partially regulated pool distributing plants, submitted comments supporting a reduction for the months of September, October, and November, for the 2019 calendar year only, but only to the 15 percent level. Upstate Niagara understands the need to avoid uneconomical shipping for handlers. Additionally, Upstate Niagara prefers that the September-November shipping percentages be reviewed as conditions necessitate, rather than "until further notice."

Findings

Monthly pool statistics continue to present a picture of declining Class I utilization for the Northeast Order, though there had been some slowing of this trend the past 3 years; 2019 utilization figures through May are showing evidence of a return to a steeper decline. The Class I utilization for the most recent pool, May 2019, at 703.5 million pounds was the lowest volume for the month in 20 years. At 29.9 percent, Class I utilization in May was the lowest ever for the month and sixth lowest Class I utilization by percent for any month since the Order's inception. In 2000, the year in which the 20 percent fall month shipping percentages were adopted as part of Order Reform, the Class I utilization for the months of September, October, and November averaged 49 percent of the volume of milk pooled during those months. In 2018, Class I utilization for these same three months averaged 34.6 percent of the total pool – a drop of nearly 15 percentage points (though above the previous year's 34.4 percent for that period).

Chart 1 presents September-November Class I utilization as compared to that period during the year 2000. In 2018, Class I utilization for the September through November period was 18.1 percent below the same period during the first year of the Northeast Order, in 2000, showing how much less Class I has been utilized in recent years compared to when the Order's shipping provisions were first adopted. The 2018 figure was a decline from the 16.9 percent below the year 2000 level that occurred in 2017.

Chart 1.

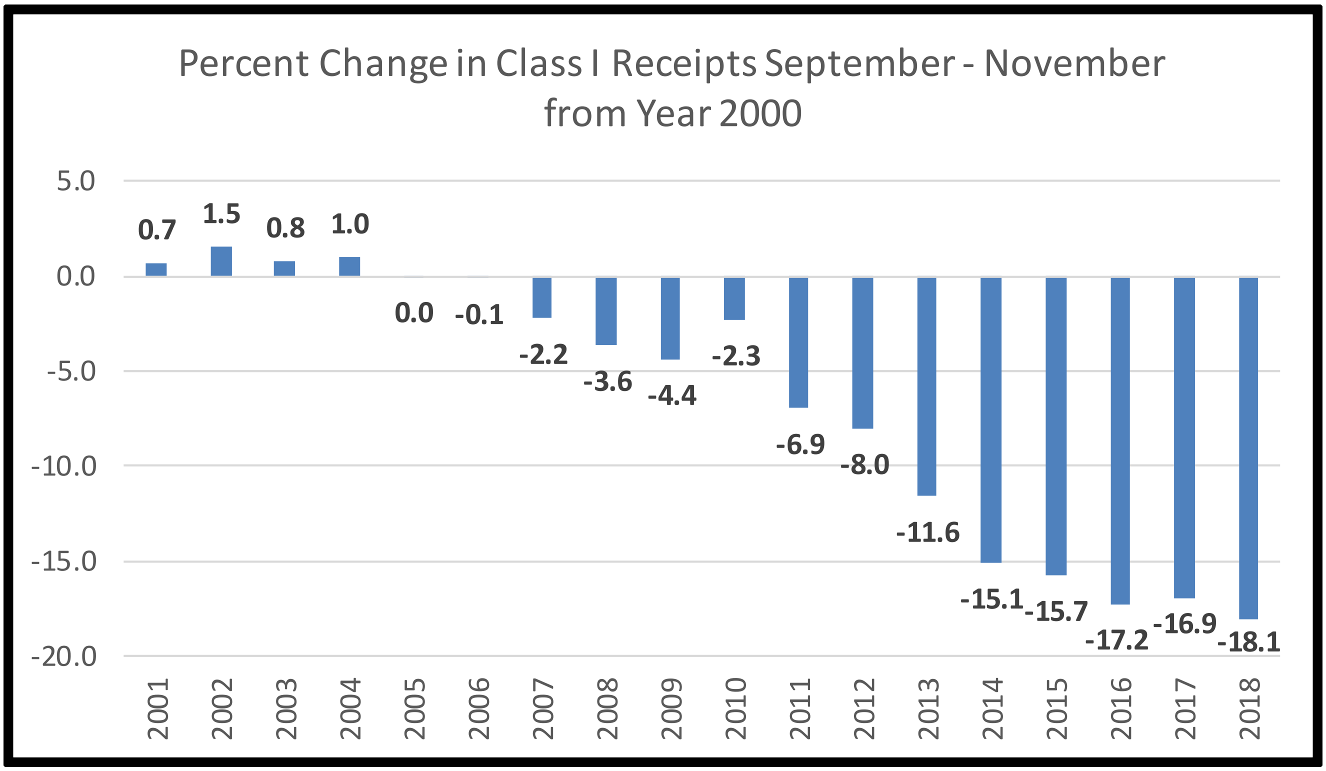
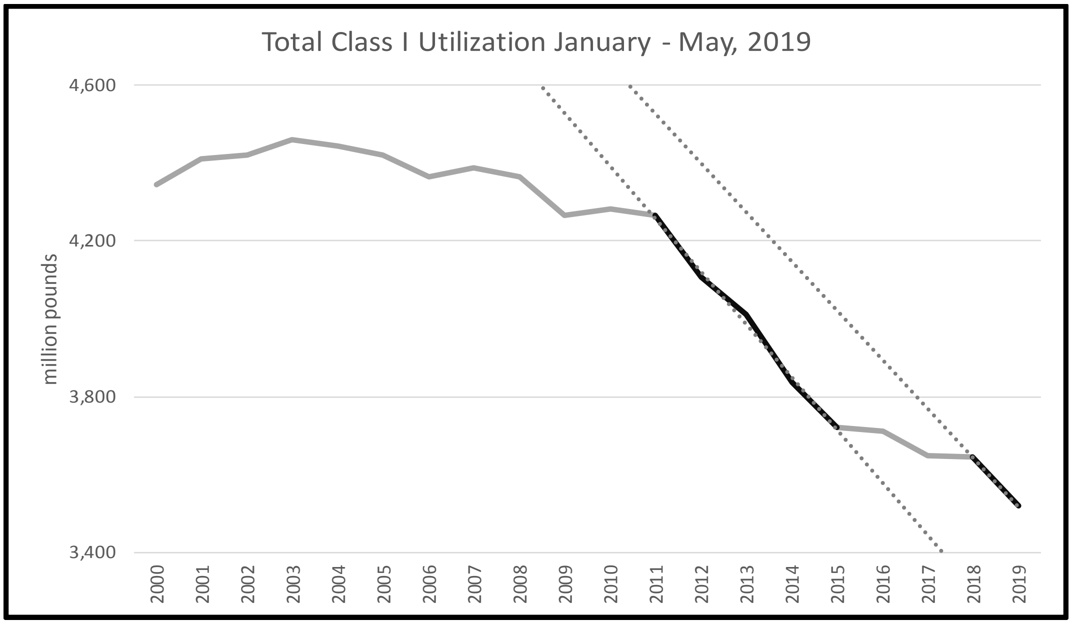


Chart 2 presents total Class I utilization for the period January through May of each year since 2000. The two trend lines in the chart highlight the more rapid decline in utilization volume from 2011 to 2015 and the return to a similar decline from 2018 to 2019.

Chart 2.



The following table presents average level of Class I utilization on the Northeast Order for a 3-month spring period and a 3-month fall period. The intent is to show a seasonal change as a simplistic expectation of where fall Class I utilization may be based on where the previous spring level was. The 2019 projection in the table is based on a Class I calendar, composition and seasonal factors with current levels of Class I utilization. This projection is showing a potential for zero percent increase in fall month Class I utilization. This would suggest a lack of need to increase the shipping percentage at least for fall 2019.

	Class I Utilization		
Year	Mar-May Avg	Sep-Nov Avg	% Increase
	million pounds		
2000	866.7	912.4	5.3
2001	900.2	918.7	2.1
2002	892.4	926.4	3.8
2003	892.2	919.5	3.1
2004	890.4	921.5	3.5
2005	889.6	912.3	2.5
2006	887.0	911.4	2.7
2007	884.6	892.3	0.9
2008	872.8	879.4	0.8
2009	860.5	872.7	1.4
2010	873.9	891.6	2.0
2011	847.0	849.0	0.2
2012	821.0	839.5	2.2
2013	807.2	806.9	0.0
2014	765.4	774.9	1.2
2015	741.6	769.0	3.7
2016	741.2	755.2	1.9
2017	735.3	758.0	3.1
2018	737.1	747.7	1.4
2019	704.5	**704.4***	**0.0***

* Projected based on Class I calendar composition, seasonal factors, and current utilization.

The volume of milk pooled on the Order through the first 5 months of this year is the fourth largest volume since the inception of the Northeast Order, but it is the lowest of the past 4 years. May 2019 volume pooled was about 3.4 percent below last May's record high. The calculated daily deliveries per producer (DDP) statistic also was the highest ever for the Order in May 2019 at 7,778 pounds. On average, for the first 5 months of the year, fewer producers have been pooled on the Order every year since 2000, except 2005. For this period of the year, producers declined on average 2.5 percent from the previous year from 2011 through 2017. Producers pooled declined by 4.2 percent in 2018 and by 7.1 percent in 2019. Still, the DDP growth had compensated for the decline in producers and has resulted in continuing relative strong milk pooled on the Northeast order, if not record setting.

Milk utilized in Class IV–historically considered a balancing class with the manufacture of lower valued storable products–typically exhibits year-to-year variation in the Northeast Order in response to the overall supply and demand for milk in the region. During the first 5 months of this year, the pounds of milk utilized in Class IV has ranked second highest since the Order's inception (only this period in 2017 being higher). Class IV utilization for May 2019 was the highest ever for that month and second highest ever for the Order.

USDA National Agricultural Statistics Service *Milk Production* report indicates that some slowdown in milk production has been occurring as the June 18, 2019, report indicted the NASS major 23 states were down 0.1 percent. Still, New York continues to outpace the national average with a positive 1.0 percent growth in milk production. New York has been above the NASS major 23 states 9 of the past 12 months. Given recent regional challenges in milk supply and processing capacity, this trend bears watching and may indicate a continuation of the region remaining long on milk. Still, Pennsylvania milk production has been declining by 7 percent or more recently and suggest that there may exist differing market challenges subregionally to consider. The impact of weather and/or unfavorable growing conditions earlier this year or other unforeseen marketing issues and conditions are factors in considering this shipping percent change request beyond a 2-year period at this time.

Plant and Handler Issues

Though not during the past 12 months, the closure of long-operating Class I bottling plants in the marketing area remains indicative of continued soft demand for milk supplies to be utilized in Class I products. Requiring additional volumes of raw farm milk to be delivered to bottling plants that would appear to have adequate milk supplies for the level of sales they have, could lead to disorderly marketing scenarios within the milkshed of the Northeast Federal Order.

Existing Provision

The shipping provisions of the Order (under Section 1001.7 (c) (1) and (2) stipulate that a supply plant (and this also applies to cooperatives operating as handlers under Section 1000.9(c)) must deliver milk to a distributing plant in order to meet the requirement. As noted in prior decisions, the option is not to "ask" whether the milk is needed or not but, instead, delivery to a pool distributing plant is stipulated. However, under Section 1001.7(g) the provision authorizes the Market Administrator to adjust the shipping percentage "to prevent uneconomic shipments", if so warranted. Thus, preventing the administratively required delivery of excessive milk to distributing plants, when order data and industry comments indicate a lower required shipping percentage is appropriate, is a measure that can and has been taken for the past six years by the Market Administrator, following the receipt of similar industry requests to review the provision as a measure to prevent disorderly marketing and uneconomic shipments of milk.

Decision

After reviewing a variety of Northeast Order statistical data related to total pool volume, class utilization changes over time, fluid sales reports for the Order, and recent industry dynamics, together with comments submitted by parties responding to the call for comments on Queensboro's request, a reduction in the shipping percentage under Section 1001.7 (c) (2) of the Northeast Order from 20 to 10 percent for the three months of September, October, and November is approved. In consideration of the current milk price cycle and the potential impact on future milk production within the region, the decision at this time will be limited to 2019 and 2020.

As provided under the terms of the Northeast Order under Section 1001.7 (g), the Market Administrator may review the need for any further adjustment on his own initiative or at the request of interested parties.

More Information

Complete copies of comments submitted by handlers regarding the requested shipping percentage reduction, along with Queensboro's request, can be found on the Northeast Order website; www.fmmone.com or by contacting the Market Administrator's office at 518-452-4410.

March 26, 2019

Market Administrator
Northeast Marketing Area
302A Washington Ave. Ext.
Albany NY 12203-7303
Attn Peter Fredricks

Mr. Fredricks,

Queensboro Farm Products, Inc. is requesting that the shipping percentage, under Section 1001.7(c) (2) of the Order, be decreased for the months of September, October, and November from 20 % to 10 % for the Pool Supply Plants in Federal Order One. As a handler operating as a family business for 110 years and one of the two Pool Supply Plants remaining in Order One, we have zero calls for Class I milk in years. We feel that the 10% difference in shipping would have an insignificant effect on the producer's milk pay price.

In the context of the entire Order, the volume is not noteworthy, but it has a big impact on our company. In order to fulfill the 20% shipping requirement, we would have to make uneconomical and unnecessary movements of milk which would result in higher hauling charges to our producers. The constant decline of Pool distributing Plants associated with the Order (The loss of at least 8 large plants in the last 8 years) makes additional shipments into the remaining plants virtually impossible. In the current economic climate, any additional cost to either the producers or to a small company, such as Queensboro, could jeopardize both our viabilities.

In June 2005, when the Federal Order was amended to have year round supply plant shipping standards, handlers with multiple supply plants set up their own supply plant systems. This allowed them to meet the standards by, in effect, treating the supply plant system as one plant. They could have one plant in the system that has a high Class I shipping percentage and that could provide enough Class I sales to cover the entire plant system. Queensboro, being an independent small business and a one plant operation, does not have that luxury. As stated above we would need to move milk in an uneconomical manner to meet the shipping standards. This seems to discourage entrepreneurship and penalizes small business.

Historically there has been a dramatic drop in the number of pool supply plants. In January 2000 there were 20 pool supply plants and in January 2013 there were only 11 "plant systems" and 2 independent supply plants. Queensboro is one of those two.

Class I sales are decreasing every year and the number of viable Class I dealers is decreasing as well. In past years Queensboro has had to seek out Class I customers in order to reach the 20% shipping requirement. In addition this year as in other recent years in the Northeast, milk and skim milk will have to be dumped due to lack of plant capacity. Class IV, the balancing class in the order is ever increasing due to higher milk production and ever decreasing Class I sales in the order. The figures for February 2018 indicate that the Class I volume was the lowest ever for the month and the Class IV volume among the highest for the month. This imbalance in supply and demand will continue throughout the next ten years and for the foreseeable future. In the last few years only one customer has called upon us to sell and we immediately complied. We also have not heard of any other instances where Class I needs have not been covered.

Class I sales declined from 2010 to 2011 by 3.0 % and from 2011 to 2012 by an additional 2.7 %. This decline continued in 2013 with Class I volumes setting new lows. In fact, in 2013 Class I volume was the lowest ever. Volume was down 3% from the 2012 total. Eleven months in 2013 had the lowest Class I volume for those respective months in 14 years. Since the inception of the Northeast Order in 2000, annual Class I volume has declined by more than 1 Billion pounds. January 2014 had the lowest Class I volume of any January on record. The volume in June 2013 was the lowest Class I total out of 169 monthly pools. Even with the population increasing by 3.2 % in the Northeast, these declines continue. Since the inception of Order I, almost 20% of the pool distributing plants have closed. Another difficulty Queensboro has encountered is the fact that many of the remaining pool distributing plants in the Northeast Order have established full supply arrangements with cooperatives. This certainly reduces our options and increases the cost of the movement of the milk. In point of fact, Queensboro has a unique relationship with these cooperatives. We separate and condense product when they are long in supply and we help furnish milk supplies when they are short. Again, in the spring of 2019 at the request of a large Northeast Order cooperative, Queensboro is helping to balance their excess supply of milk by separating and condensing for them. In addition we unload and store their excess Class I weekend supplies of raw milk and feed it back to them during the week.

In previous year's decision letter from the Market Administrator, dated August 5, 2013, it was stated that "the macro trends supported by this analysis support a reduction in the shipping percentage." We believe that those trends are continuing and past year's reduction by the Market Administrator had no adverse effect on producers. All of our industry contacts informed us that all Class I needs were met. The latest statistic available, which confirms our beliefs, is that Class I utilization for February 2018 was less than 32.0 %. April 2017 was 29.4%, April 2016 was 32.0 %, April 2015 was 32.8 %, April 2014 was 34.4 % and Class I for April 2013 was 36.5 %. In the first quarter of 2018 Class I utilization will have dropped to approximately 32.0 % In July2018 Class I volume was the lowest ever for the month and the smallest ever for the order on a per day basis. In addition the Class I usage in February 2019 accounted for 31.4% of the total milk receipts down 1.3% from January.. In point of fact for many months the volume of milk utilized as Class I has set a new low for that respective month. Just recently the Upper Midwest Market Administrator in Federal Order 30 reduced the Class I shipping percentage to eliminate disorderly market conditions. Class IV utilization is rising each month to take up the slack. Milk supplies have risen dramatically and the market Administrator has recognized this in his decision to lower the Class I shipping percentage for June, July and August 2015 from 10% to 5 % and to reduce the shipping percentage to 15% for 2016 and 2017. For all of the reasons that we have presented, we are requesting that the 20% Class I shipping requirement for September, October, and November be reduced to 10% for pool supply plants until further notice.

Very truly yours,
Lewis P. Miller
President
Lewis P. Miller

cayuga marketing

Date: June 13, 2019

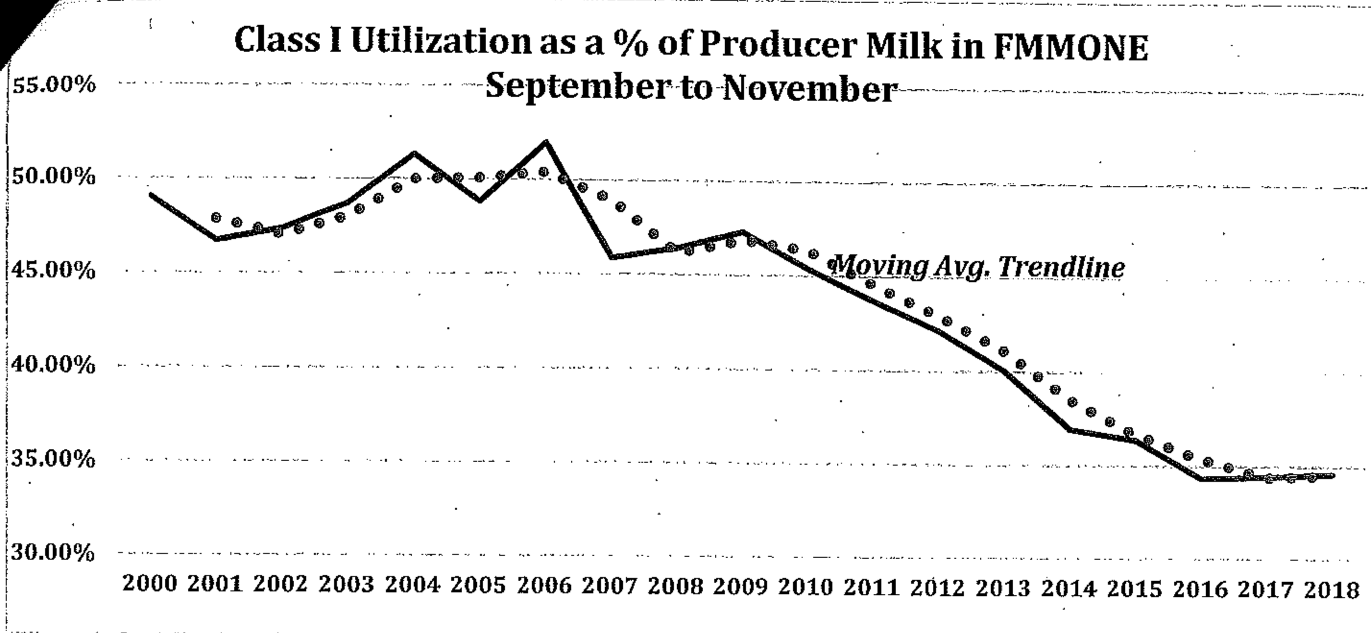
United States Department of Agriculture
Federal Milk Market One
c/o Brian Riordon
302A Washington Ave Ext.
Albany, NY 12203-7303

RE: Shipping Requirements Comments

Dear Peter:

Cayuga Marketing is in favor of lowering the shipping percentage from 20 percent to 10 percent for the months of September, October, and November *until further notice*. Under Section 1001.7(g) of the Order, the applicable shipping percentages may be increased or decreased by the Market Administrator if it is determined that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments.

We have not changed our position since last year, when we recommended a 10% shipping requirement during the September to November timeframe. In determining our position, we analyzed the amount of producer milk produced in Federal Order 1 during September through November from years 2000 to 2018. We then compared the producer milk available against Class I demand during the same period of time. For the time period spanning from 2000 to 2009, the demand for Class I milk expressed as a percentage of total producer milk sold during September through November ranged from a low of 46.41% to a high of 51.99%. The average during this period of time was 48.35%. The Class I utilization during this period of time remained relatively stable as depicted in the graph below. Starting in 2010 and continuing through 2016, the percentage of Class I milk sold as a percent of total producer milk decreased each year from a high of 45.39% in 2010 to a low of 34.35% in 2016. Thus, the cumulative Class I demand for the September to November timeframe as a percent of producer milk available decreased by a total of 11%, or 1.6% per annum. For the period spanning from 2016 to 2018, the percentage of Class I milk sold as a percentage of total producer milk has remained relatively stable, averaging 34.46%. This average is very close to the low point exhibited in 2016.



The data presented above has solidified our position that producer milk is more than sufficient to meet Class I demand during the September to November timeframe, and furthermore the September to November pooling percentage should be reduced to 10% *until further notice* to reflect the fact that Class I utilization as a percentage of available producer milk has decreased precipitously since 2010. This Class I utilization as a percentage of available producer milk has stabilized over the period from 2016 to 2018, but as the moving average trendline (dots) as depicted in the graph above exhibits, growth in Class I sales as a percentage of producer milk from 2016 to 2018 can only be described as anemic. The actual volume of Class I sales from 2017 to 2018 during the September to November timeframe decreased by 1.4%. Consequently, producer milk decreased by a similar percentage.

Cayuga Marketing would be forced into maintaining uneconomic milk sales in an effort to meet the 20% minimum pooling requirement for shipments during the months of September, October, and November, which is only serving to reduce our members net milk price during a very difficult period of low milk prices. Our goal is to return as much money to our members as possible.

Feel free to reach out to me directly if you should have any further questions or concerns.

Sincerely,

Kevin J. Ellis
CEO
Cayuga Marketing

THIS MARK MATTERS. DFA Dairy Farmers of America

June 11, 2019
Shawn M. Boockoff, Acting Market Administrator
Federal Milk Marketing Order 1
333 Fairfax Street
Alexandria, VA 22314

Dear Mr. Boockoff:

Dairy Farmers of America (DFA), a cooperative handler under Section 1000.9(c) of the Northeast Order and operator of multiple pool supply plants, is responding to the Market Administrator's invitation for comments regarding a request to lower the shipping percentage specified in Section 1001.7 (c)(2) during September, October, and November from 20 percent to 10 percent until further notice.

DFA supports a reduction in the applicable shipping percentages to 10 percent for the months of September, October, and November; however, DFA does not support the "until further notice" effective period as submitted in the request. The market conditions that exist today may not exist beyond 2020, and we feel the best course is to limit the change to one to two years.

During each year since 2014, the Northeast Market Administrator has received a request to lower the shipping percentage during the months of September, October, and November. In each of these years, the Administrator reviewed Northeast Order statistical data related to total pool volume, class utilization changes, fluid sales, and other market conditions. Following each review, the Market Administrator has determined that shrinking Class I utilization, increased milk marketings, and the potential for disorderly marketing and uneconomic shipments of milk support the need for a temporary reduction in shipping percentages. The 20 percent fall month shipping percentage was adopted as part of Order Reform in 2000. According to the May 2, 2019, version of the Northeast Milk Marketing Area Statistical Handbook, milk production has increased since 2000 at an annual compound growth rate (CAGR) of 0.7 percent while Class I utilization has decreased by 1 percent during this same time frame. DFA believes that maintaining the 20 percent level during September through November of 2019 and 2020 could result in uneconomic shipments of milk supplies solely to meet the Order provision and not in response to actual demand.

I will be glad to answer any questions you may have.

Sincerely

Chris Allen
Senior Director, Dairy Marketing

DFAMILK.com

1405 N 98th Street• Kansas City, KS 66111
P +1 816-801-6455

LANCO-PENNLAND
QUALITY MILK PRODUCERS
est. 1998

1258 Maryland Ave.
Hagerstown, MD 21740
P: (301) 393-5554
F: (301) 393-5585

May 15, 2019

Mr. Peter Fredericks
Assistant Market Administrator
Northeast Federal Milk Order
P.O. Box 25828
Alexandria, VA 22313

Dear Mr. Fredericks,

Lanco-Pennland Quality Milk Producers supports the proposed amendment to lower the shipping percentage for the months of September, October and November from 20 percent to 10 percent. The continued reduction of Class I consumption and consolidation of pool distributing plants creates challenges for Federal Order 1 Handlers.

Sincerely,

Kurt Williams
General Manager

May 1, 2019

Northeast Marketing Area
302A Washington Avenue Extension
Albany, NY 12203

Attention: Brian Riordon

Comment on Shipping Requirement:

Regarding your request for comment on the suggested lowering of the shipping requirement from 20% to 10% for Class 1 deliveries for the months of September, October and November - I do support the lowering, but I'd also request consideration of eliminating the requirement completely.

My reasons include the facts that Class 1 sales have been on a steady decline and supplies of fluid milk exceed the demand for all Classes compared to the time when these regulations were put in place. Today we see record numbers of farms going out of business due mainly to low milk prices at the farm level. In fact, the regulation may be causing uneconomic shipments rather than preventing them in our current milk marketing climate.

Thanks for your consideration.

David Wood, President of Mohawk Valley Coop. Inc.
1253 Eastern Avenue
West Charlton, NY 12010

National Farmers Organization (NFO)

528 Billy Sunday Road, Suite 100

Ames, Iowa 50010

Mr. Brian Riordon
Market Administrator's Office
Northeast Marketing Area
302 A Washington Ave.
Albany, NY 12203-7303

June 12, 2019

Dear Mr. Riordon,

The National Farmers Organization (NFO) would like to go on record as supporting the request made by Queensboro Farm Products, Inc. on March 26, 2019 requesting a reduction in shipping percentages for the Northeast Federal Milk Marketing Order # 1 from 20% down to 10% for the period of September through November.

The two biggest challenges facing the dairy industry today are low milk prices and high shipping cost. The proposed reduction in shipping percentages would help reduce the number of unnecessary and inefficient shipments of milk which are made solely for the purpose of qualifying on the Federal Order. The number of these uneconomical shipments has been exasperated over the past few years due to the lower amount of milk required by Pool plants and the larger amount of milk on the Order. Normal milk shipments are often disrupted so that "qualifying" loads can be arranged. This adjustment would remedy that problem.

Thank you for your consideration and if there is anything additionally we can do to help promote this change, please feel free to call or email.

Sincerely,

Richard L. Bylsma
Director of Dairy Sales
National Farmers Organization
dbylsma@NFO/org 574-849-3078

CC: Paul Olsen – President NFO
Brad Rach – National Dairy Director for NFO
Dave Reed – Secretary and CEO

UPSTATE NIAGARA COOPERATIVE, INC.

FARMER OWNED

General Office:
25 Anderson Road
Buffalo, NY 14225

Membership Division:
700 Ellicott Street, Suite 2
Batavia, NY 14020

Information Technology:
90 Anderson Road
Buffalo, NY 14225

Buffalo Fluid Plant:
1730 Dale Road
Buffalo, NY 14225

Rochester Fluid Plant:
45 Fulton Avenue
Rochester, NY 14608

Valley Farms Dairy, LLC:
1860 East Third Street
Williamsport, PA 17701

Cultured Products Plant:
3300 North America Drive
West Seneca, NY 14224

North Country Dairy, LLC:
22 County Route 52
North Lawrence, NY 12967

Upstate Farms Cheese, LLC:
8600 Main Street
Campbell, NY 14821

O-AT-KA Milk Products Cooperative, Inc.:
700 Ellicott Street
Batavia, NY 14020

June 28, 2019

Shawn Boockoff, Northeast Acting Market Administrator
Federal Milk Order No. 1
Northeast Marketing Area
Sent via email to: briordon@fedmilk1.com

Mr. Boockoff,

I am writing on behalf of Upstate Niagara Cooperative, Inc. in response to your request dated April 30, 2019 related to shipping requirements.

For the past several years, adjustments have been made to performance standards to account for changing market dynamics. Upstate Niagara understands the need to avoid uneconomical shipping for handlers. As such, Upstate Niagara would not oppose a temporary reduction of the shipping requirement to 15% for September 2019 – November 2019.

On-farm economics have been quite difficult for the past several years. We have seen increased retirement activity among members in recent months. This is not uncommon. US Census data indicate a rapid rate of attrition among farms in the Northeast over the past five years. For some, this is raising concerns related to milk availability as we approach September, October, and November 2019.

Order language provides the Market Administrator the flexibility to adjust shipping percentages as necessary. However, to reduce shipping percentages 'until further notice' undermines the spirit of the Federal Orders and the hearing process that's required to make changes to Federal Milk Marketing Orders. Therefore, we respectfully request that the Market Administrator continue to review this matter as conditions necessitate.

To summarize, Upstate Niagara is not opposed to a temporary reduction of shipping requirements from 20% to 15% for the months of September, October, and November for this calendar year only.

Sincerely,

Jodi Smith Krzysiak
Economist